



STATE OF WASHINGTON

OFFICE OF THE FORECAST COUNCIL

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December 11, 2002

TO: Senator Sid Snyder, Chair
Senator Dino Rossi
Representative Jack Cairnes
Representative Jeff Gombosky
Marty Brown, OFM, Director
Will Rice, DOR, Acting Director

FROM: Chang Mook Sohn, Executive Director
Office of the Forecast Council

SUBJECT: DECEMBER 10, 2002 REVENUE COLLECTION REPORT

General Fund -State receipts were \$30.6 million above the estimate for the month based on the just completed November forecast (see Table 1). Higher than expected Revenue Act (sales, use, business and occupation, public utility, and tobacco products taxes), real estate excise tax and “other” revenue accounted for most of the positive variance. After several strong months, estate tax receipts were below the estimate for the month. Most of this month’s variance is the result of a little better than expected business activity, although \$11.0 million of the variance is due to a large, unanticipated audit payment.

Revenue Act collections were \$24.5 million higher than expected for the month. Revenue Act collections this period (primarily October 2002 business activity) were up 4.1 percent from a year-ago (after adjusting for special factors). This is the fourth consecutive month in which collections were above the year-ago level, and it is the largest increase in nearly two years. While Revenue Act growth was a little better than expected this month, the jump in the U.S. unemployment rate from 5.7 percent in October to 6.0 percent in November, equaling a seven-year high, is a reminder that the transition from a contracting to an expanding economy is likely to be bumpy for the next couple of quarters and that periods of weak revenue growth may not be completely behind us.

Preliminary data on excise tax payments in the November 11 – December 10 collection period showed positive growth in most major sectors. There were a couple of exceptions. The most notable was the motor vehicles and parts sector. Taxes by auto retailers were nearly 10 percent below the year-ago level. This was due to very strong sales a year-ago when zero-percent financing incentives were first introduced. Weak auto sales held the year-over-year increase in tax payments reported by the entire retail trade and food services sector to less than one percent. Excluding autos, however, this sector reported nearly a 5.0 percent increase in tax payments lead

by furniture stores, electronic and appliance retailers and building materials/gardening equipment retailers. Overall, non-retailing sectors reported a 1.5 percent increase in tax payments.

Other General Fund taxes collected by the Department of Revenue were \$6.2 million above expectations for the month. Higher than expected real estate excise tax (+\$4.3 million) and “other” revenue (+\$3.0 million), primarily unclaimed property transfers, were the primary contributors to this month’s positive variance. Liquor, property and timber excise tax receipts were also a little more than expected this month. After three strong months, estate tax payments were weak in November and \$2.4 million less than expected. Real estate excise activity was very strong last month with October closings (reflecting real estate excise tax payments to the state in November) 29.0 percent above the year-ago level. This follows last month’s 12.6 percent increase. While most of the increase was in King County with taxable real estate excise activity 52.9 percent above the year-ago level, other areas of the state also reported strong growth. Excluding King County, taxable real estate activity increased 15.4 percent last month.

The Department of Licensing General Fund collections were \$130,000 less than expected for the month. The attached Table 1 provides a comparison of collections with estimates for the current midmonth period, November 11- December 10 and cumulatively since our last forecast. The cumulative variance since the last forecast shown in Table 1 is virtually the same as the variance for the current month because the monthly estimates based on the November forecast reflect actual collections through November 10, 2002. The difference in the month and the cumulative-to-date reflect historical data revisions. Table 2 compares revised collection figures to the preliminary numbers reported in last month’s collection report.

CMS:cg

Attachments

TABLE 1
Revenue Collection Report
December 10, 2002 Collections Compared to the November 2002 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference</u>	
			<u>Amount</u>	<u>Percent</u>
November 11 - December 10, 2002				
Department of Revenue-Total	\$1,072,283	\$1,102,975	\$30,692	2.9%
Revenue Act** (1)	632,674	657,164	24,490	3.9%
Non-Revenue Act(2)	439,609	445,811	6,202	1.4%
Liquor Sales/Liter	7,354	7,658	304	4.1%
Cigarette	3,891	3,910	20	0.5%
Property (State School Levy)	355,648	356,475	827	0.2%
Estate	6,785	4,340	(2,444)	-36.0%
Real Estate Excise	35,605	39,887	4,282	12.0%
Timber (state share)	2,053	2,233	180	8.8%
Other	28,274	31,307	3,033	10.7%
Department of Licensing (2)	584	454	(130)	-22.2%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$1,072,868	\$1,103,429	\$30,562	2.8%
Cumulative Variance Since the November Forecast (November 11 - December 10, 2002)				
Department of Revenue-Total	\$1,072,283	1,102,975	30,692	2.9%
Revenue Act** (3)	632,674	657,164	24,490	3.9%
Non-Revenue Act(4)	439,609	445,811	6,202	1.4%
Liquor Sales/Liter	7,354	7,658	304	4.1%
Cigarette	3,891	3,910	20	0.5%
Property (State School Levy)	355,648	356,475	827	0.2%
Estate	6,785	4,340	(2,444)	-36.0%
Real Estate Excise	35,605	39,887	4,282	12.0%
Timber (state share)	2,053	2,233	180	NA
Other	28,274	31,307	3,033	10.7%
Department of Licensing (4)	584	480	(104)	-17.8%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$1,072,868	\$1,103,455	\$30,588	2.9%

1 Collections November 11 - December 10, 2002. Collections primarily reflect October 2002 activity of monthly taxpayers.

2 November 1-30, 2002 collections.

3 Cumulative collections, estimates and variance since the November 2002 forecast; (Nov. 11 - Dec. 10, 2002) and revisions to history.

4 Cumulative collections, estimates and variance since the September 2002 forecast;(November 2002) and revisions to history.)

* Based on the November 2002 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue and the Department of Licensing.

TABLE 2
November 10, 2002 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
October 11 - November 10, 2002				
Department of Revenue-Total	\$880,945	\$880,945	(\$0)	-0.0%
Revenue Act (1)	755,404	755,404	0	0.0%
Non-Revenue Act(2)	125,541	125,541	(0)	-0.0%
Liquor Sales/Liter	6,748	6,748	(0)	-0.0%
Cigarette	5,069	5,069	0	0.0%
Property (State School Levy)-net	35,254	35,254	(0)	-0.0%
Property tax collections	35,254	35,254	(0)	-0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	26,583	26,583	0	0.0%
Real Estate Excise	33,543	33,543	(0)	-0.0%
Timber (state share)	0	0	0	NA
Other	18,344	18,344	(0)	-0.0%
Department of Licensing (2)	741	747	6	0.9%
Lottery (2)	0	0	0	NA
Total General Fund-State***	\$881,686	\$881,692	\$6	0.0%

Cumulative Receipts: Sept. 11-November 10, 2002 & Revisions to History

Department of Revenue-Total	1,653,663	\$1,653,665	\$2	0.0%
Revenue Act (3)	1,442,820	1,442,820	0	0.0%
Non-Revenue Act(4)	210,842	210,845	3	0.0%
Liquor Sales/Liter	15,099	15,099	0	0.0%
Cigarette	10,318	10,318	(0)	-0.0%
Property (State School Levy)-net after transfer	45,772	45,773	1	0.0%
Property tax collections	45,772	45,773	1	0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	38,506	38,506	0	0.0%
Real Estate Excise	79,993	79,993	0	0.0%
Timber (state share)	0	0	0	NA
Other	21,153	21,156	3	0.0%
Department of Licensing (4)	1,567	1,554	(13)	-0.8%
Lottery (4)	0	0	0	NA
Total General Fund-State***	\$1,655,230	\$1,655,220	(\$10)	-0.0%

Preliminary. Reported in the Nov. 10, 2002 collection report.

1 Collections Oct. 11 - Nov. 10, 2002. Collections primarily reflect September 2002 business activity of monthly taxpayers and July-September activity of quarterly filers.

2 October 1-31, 2002 collections.

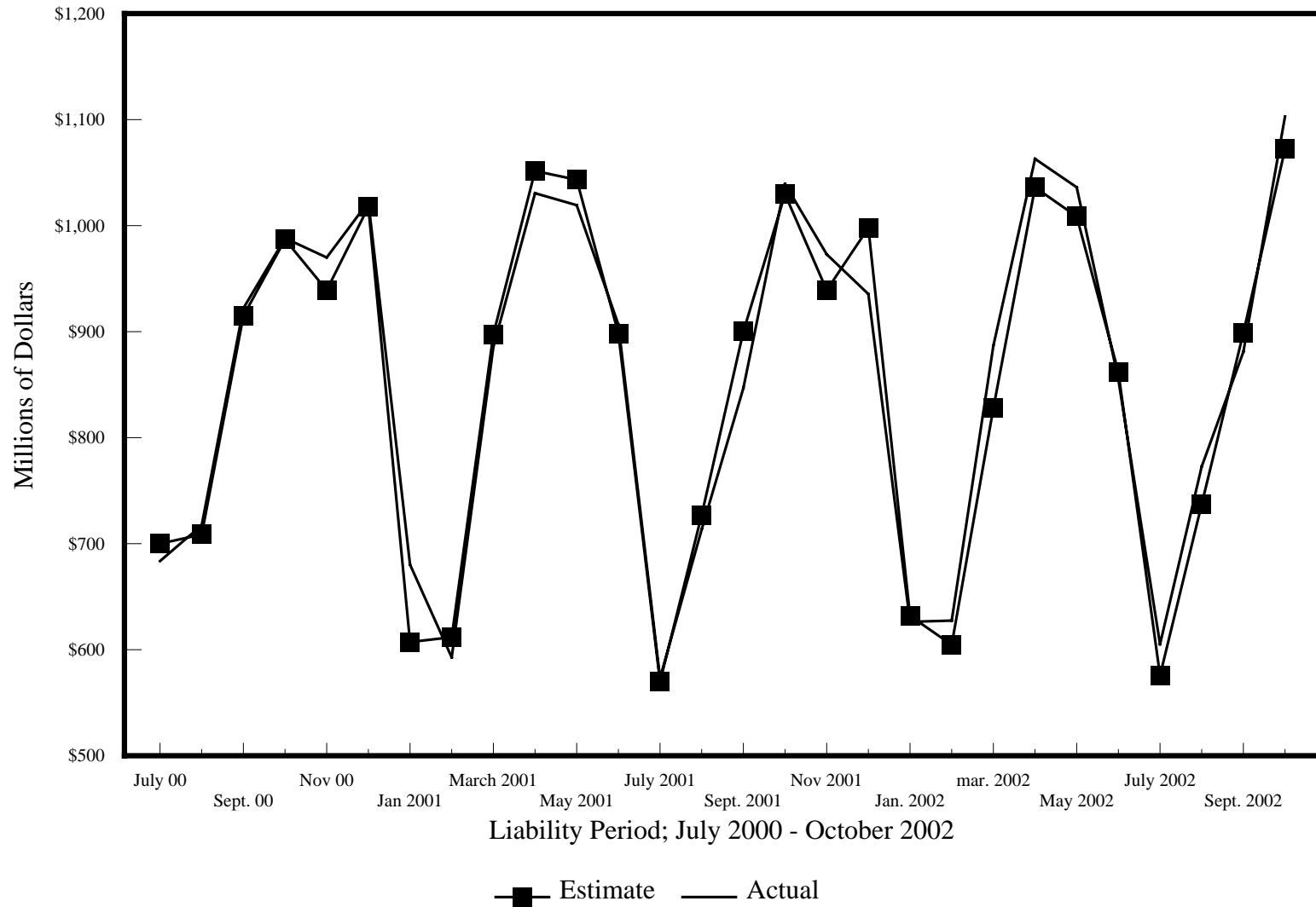
3 Cumulative variance for since the September 2002 forecast: September 11-Nov. 10, 2002 & revisions to history.

4 Cumulative variance: since the September 2002 forecast (September & October) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

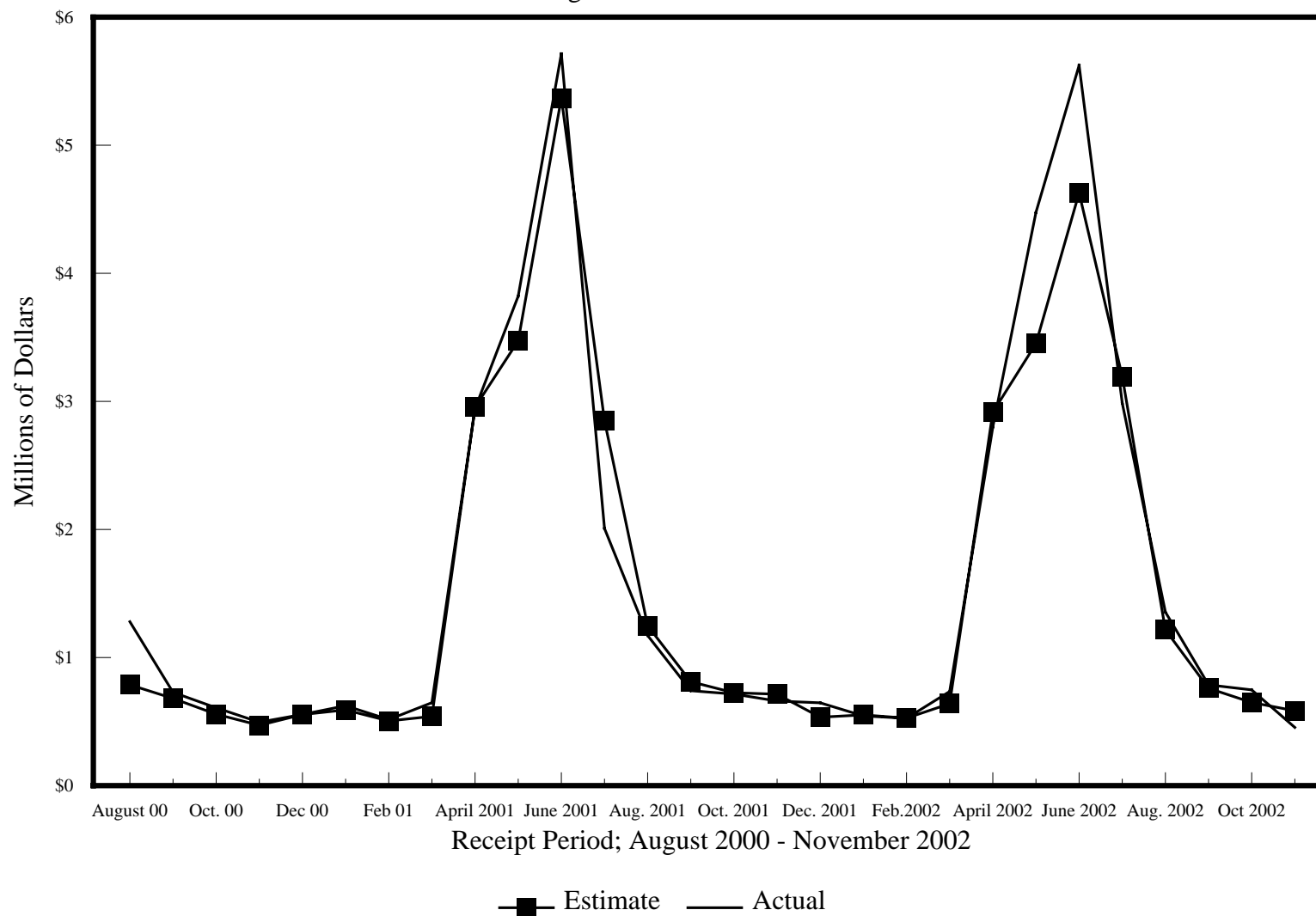
Department of Revenue: General Fund-State, Actual vs. Estimate

July 2000 to October 2002



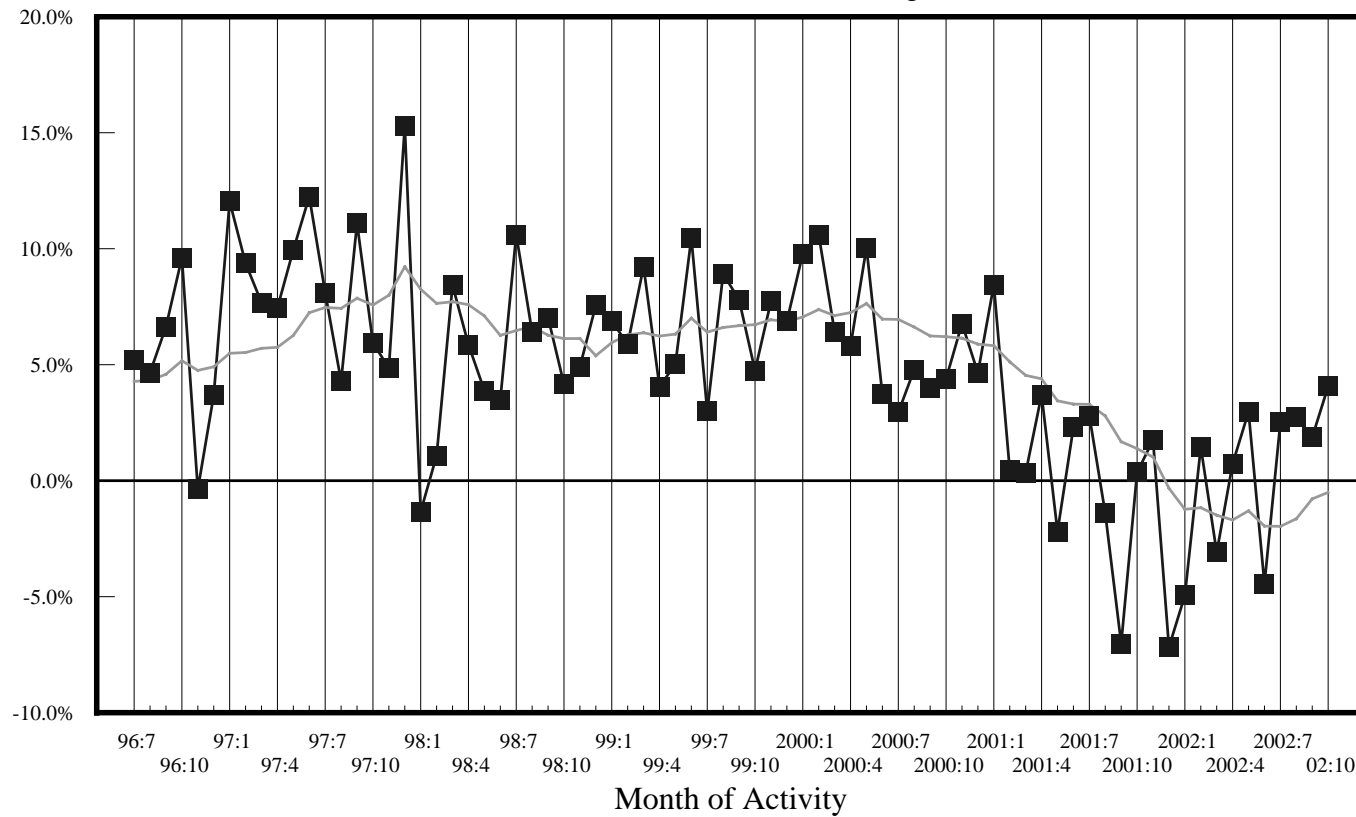
Department of Licensing General Fund-State, Actual vs. Estimate

August 2000 to November 2002



Revenue Act Net Collections*

Year-over-Year Percent Change



■ %CH from year-ago month

— %change: 12 month moving average

*Adjusted for special factors